

**CHILD CARE
AND
DEVELOPMENT FUND**

**RESOURCE & REFERRAL
FBRR**

FUNDING TERMS AND CONDITIONS

AND

PROGRAM REQUIREMENTS

for

CHILD DEVELOPMENT PROGRAMS

FISCAL YEAR 2002-03

**CHILD CARE AND DEVELOPMENT BLOCK GRANT
RESOURCE AND REFERRAL PROGRAMS
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Fiscal Year 2002-03**

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FUNDING TERMS AND CONDITIONS
CHILD CARE AND DEVELOPMENT BLOCK GRANT
RESOURCE AND REFERRAL PROGRAMS
Fiscal Year 2001-02

These are the Funding Terms and Conditions (FT&C) for fiscal year 2001-02. Each contractor is required, as a condition of its contract with the California Department of Education (CDE), Child Development Division (CDD), to adhere to these FT&C, and any other requirements incorporated into the contract, in addition to all other applicable laws and regulations. Any variance from this contract, the FT&C, requirements, laws or regulations could be considered a noncompliance issue and subject the contractor to possible termination of the contract.

Any change of these FT&C or requirements that are binding on the State and the contractor must be in writing, in advance, from the CDE in the form of a formal contract amendment. Any interpretation of the FT&C or Requirements must be in writing from the CDE and signed by the director of the CDD.

Contractors may adopt any reasonable policies relating to the program that are not in conflict with law, regulations or the terms of this contract. Those potentially affected shall be duly notified and due process, if applicable, shall be assured.

This contract is funded through a grant from the federal Department of Health and Human Services and subject to Code of Federal Regulations (CRF) 45, Part 98, and Public Law 104-193, the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996. The Catalogue of Federal Domestic Assistance (CFDA) fund title is Child Care and Development Fund and the CFDA number is 93575.

I. DEFINITIONS

As used in the FT&C:

"Actual and allowable net costs" means the costs which may be reimbursed under a particular child development contract after disallowed costs and restricted income have been subtracted from total expenditures.

"Additional funds" means award of new contracts or expanded contracts which increase the contractor's level of administrative responsibility. Cost of living adjustments, rate increases and one-time-only supplemental funds are not considered to be "additional funds."

"Approved indirect cost plan" means that the annual agency audit does not include any management findings regarding the development or the application of the plan.

"Benefit to the State" means that the activity will improve knowledge or expertise in areas directly related to subsidized child care and development services.

"Ceases operation" means the contractor does not provide services in accordance with the contractor's program operating calendar submitted to and approved by the CDD for the applicable contract period.

"Child development fund" means the restricted fund used by the contractor to account for contract funds and related net reimbursable program costs.

"Contract period" means the time span the contract is in effect as specified in the child development contract.

"Depreciation" means a cost in the current fiscal year that is based on acquisition costs, less any estimated residual value, computed on a straight line method (based on the normal, estimated useful life expectancy of the asset).

"Disallowed costs" means costs which have been incurred but are not reimbursable because they are not reasonable and/or necessary for the performance of the contract as defined below or are otherwise nonreimbursable as specified in Section V.F below.

"Employment agreements" means the formal hiring documents for individuals who will accrue benefits normally afforded to contractor's staff.

"Indirect cost" means an expense that cannot be readily assigned to one specific program or one specific line item within a program.

"Indirect cost allocation plan" means a written justification and rationale for assigning the relative share of indirect costs across more than one program or contract.

"Maximum reimbursable amount" means the total dollar amount of a contract. Reimbursement from the State shall not exceed the maximum reimbursable amount.

"New contract" is a contract award to an existing contractor which is for a program type as specified in Education Code Section 8208(h) that is different than the child development contract(s) currently administered by the applicant.

"Operating facility" means the office(s) within the service delivery area(s) providing Resource and Referral program services to the public.

"Private contractor" means an entity other than a public agency which is tax exempt or non-tax exempt and under contract with the CDE for the provision of child care and development services.

"Public contractor" means a school district, community college district, county superintendent of schools, campus of the California State University or the University of California system, county, city or other public entity under contract with the CDE for the provision of child care and development services.

"Reasonable and necessary costs" means expenditures that, in nature and amount, do not exceed what an ordinarily prudent person would incur in the conduct of a competitive business.

"Restricted income" means income which may only be expended for specific limited purposes.

"Service delivery area" means the community, geographic area or political subdivision in which the child care and development services are to be provided as specified in the Request for Applications.

"Unnecessarily increase the value" means an improvement of an operating facility beyond what is reasonable and necessary to meet local fire and safety ordinances and/or the intended purposes of a Resource and Referral program.

"Use allowance" means an alternate method for claiming the use of the contractor's assets as a cost when depreciation methods are not used.

II. GENERAL PROVISIONS

A. National Labor Relations Board/Federal Court Order

By signing this contract, the contractor swears under penalty of perjury that no more than one final unappealable finding of contempt of court has been issued by a federal court against the contractor within the last two (2) years because of failure to comply with a federal court order for compliance with an order of the National Labor Relations Board (Public Contract Code Section 10296). This provision does not apply to public entities.

B. Notification of Address Change

Contractors shall notify the CDD in writing of any change in mailing address for communication regarding the contract (administrative address) within ten (10) calendar days of the address change. For non-public agencies, the notification must be accompanied with (1) board minutes verifying the change in address and (2) a copy of the notification to the Internal Revenue Service of the address change.

Contractors shall notify the CDD in writing of any proposed change in operating facility address(es) at least thirty (30) calendar days in advance of the change unless such change is required by an emergency such as fire, flood or earthquake.

C. Open Board Meetings

Any private tax exempt or private non-tax exempt agency receiving public funds under these regulations must, to the extent of the publicly funded program, comply with the Ralph M. Brown Open Meetings Act ("Brown Act"), Government Code Sections 54950-54961. Board meetings shall be open to the public except for meetings with its designated representatives prior to and during consultations and discussions with representatives of employee organizations regarding the salaries, salary schedules or compensation paid in the form of fringe benefits of employees or to consider the appointment, employment, evaluation of performance or dismissal of an employee or to hear complaints or charges brought against an employee unless such employee requests an open meeting. Minutes of these open meetings shall be available to the public.

D. Issuance and Use of Checks

Except for external payroll services, private contractors shall not use any presigned, pre-authorized, or pre-stamped checks without the prior written approval of the CDD.

Private contractors shall require two (2) authorized signatures on all checks unless: (1) the contractor has a policy approved by its governing board requiring dual signatures only on checks above a specified dollar amount and (2) the annual audit verifies that appropriate internal controls are maintained.

E. Prohibition Against Loans and Advances

Contractors shall not loan contract funds to individuals, corporations, organizations, public agencies or private agencies. Contractors shall not advance unearned salary to employees. Contractors shall not make advance payments to subcontractors and shall compensate subcontractors after services are rendered or goods are received except for subcontractors with subcontracts exempt from the provisions of Section IV below pursuant to Section IV.A.

F. Materials Developed with Contract Funds

If the contractor receives income from materials developed with contract funds, the use of the income shall be restricted to the child development program. If the materials were developed in part with contract funds, the income from the sale of the materials that shall be used in the child development program shall be computed in direct proportion to the share of contract funds used in development of the materials.

Materials developed with contract funds shall contain an acknowledgement of the use of State funds in the development of materials and a disclaimer that the contents do not necessarily reflect the position or policy of the CDE.

G. Contractor's Termination for Convenience

1. General Termination for Convenience

A contractor may terminate the contract for any reason during the contract term. The contractor shall notify the CDD of its intent to terminate the contract at least ninety (90) calendar days prior to the date the contractor intends to terminate the contract.

Within fifteen (15) days from the date the contractor notifies the CDD of its intent to terminate the contract, the contractor shall submit: (1) a current inventory of equipment purchased in whole or in part with contract funds and (2) the names, addresses and telephone numbers of all staff members funded by the contract.

Upon receipt of a notice of intent to terminate, the CDD will transfer the program to another agency as soon as practicable.

The State shall only be obligated to compensate the contractor for net reimbursable program costs in accordance with this contract through the date of termination. There shall be no other compensation to the contractor. The State shall offset any monies the contractor owes the State against any monies the State owes under this contract.

2. Changes in Laws and Regulations

The CDD shall notify contractors in writing of changes in laws or regulations prior to the effective date or as soon as possible after enactment. If any laws or regulations are changed substantially during the contract period, the contractor shall have the option to discontinue performance and be relieved of all obligations for further performance.

The contractor has thirty (30) calendar days from receipt of notification of pending changes to notify the CDD in writing of the contractor's intent to terminate if the required changes are unacceptable to the contractor. The contract shall be deemed terminated sixty (60) calendar days after receipt of the notification of the intent to terminate.

H. Compliance Reviews of Contractors

At least once every three (3) years and as resources permit, the CDE shall conduct reviews at the contractor's office(s) and operating facility(ies) to determine the contractor's compliance with applicable laws, regulations or contractual provisions.

The reviews shall be conducted by consultants, analysts and/or management staff of the CDD, CDE's Audits & Investigations Division (A&I), and Child Development Fiscal Services (CDFS), or other State of California Representatives.

I. Eligibility for Funding

A contractor is not eligible for additional funds, as defined in Section I above, if the contractor has received final notification, as specified in Section VIII.A below, that its contract has been terminated.

A contractor is not eligible for additional funds if the contractor has demonstrated fiscal and/or programmatic noncompliance and has received final notification, as specified in Section IX.A below, that (1) its contract will be placed on conditional status or (2) it will not be offered continued funding.

J. Continued Funding

Contractors have no vested right to a subsequent contract. Contractors that are not on conditional contract status but which have evidenced fiscal or programmatic noncompliance with the provisions of this contract, law or regulations shall receive an administrative review in accordance with Section IX.A below to determine whether they will receive an offer for continued funding.

Contractors currently on conditional status that do not meet the requirements specified in the Conditional Status Addendum, as specified in Section IX.C below, may not be offered a subsequent contract and shall be so notified by the CDD at least ninety (90) calendar days prior to the end of the current contract period.

Contractors that intend to accept the offer to continue services in the subsequent contract period shall respond to a continued funding application request from the CDD in accordance with the instructions and timelines specified in the request. Failure to respond within the timelines specified in the continued funding application request shall constitute notification to the CDD of the contractor's intent to discontinue services at the end of the current contract period unless the contractor has received a written extension of the original timeline from the CDD.

K. Applicability of Corporations Code

Except for sole proprietorships and partnerships, private contractors shall be subject to all applicable sections of the Corporations Code including standards of conduct and management of the organization.

L. Conflicts of Interest

For any transaction to which the contractor is a party and the other party is: (a) an officer or employee of the contractor or of an organization having financial interest in the contractor; or (b) a partner or controlling stockholder or an organization having a financial interest in the contractor; or (c) a family member of a person having a financial interest in the contractor, the transaction(s) shall be fair and reasonable and conducted at arm's length.

Based on corporate law (Corporations Code sections 310, 5233-5234, 7233 and 9243 as applicable) the general rules that would be followed to ensure that transactions are conducted "at arm's length" include: (1) prior to consummating the transaction, the governing body should authorize or approve the transaction in good faith and the board should require the interested party, or parties, to make full disclosure to the board both in writing and during the board meeting where the transaction is being discussed and (2) all parties having a financial interest in the transaction should refrain from voting on the transaction and it should be so noted in the board minutes.

If the transaction involves the renting of property, either land or buildings, owned by affiliated organizations, officers or other key personnel of the contractor or their families, the board of directors shall request the interested party to obtain a "fair market rental estimate" from an independent appraiser. If the contractor has no board or is a sole proprietor, the requirement for a "fair market rental estimate" shall also apply. The contractor has the burden of supporting the reasonableness of rental costs. If the property is owned by the contractor, rental costs are not reimbursable and costs may be claimed only as depreciation or use allowance. Any transaction described in this paragraph shall be disclosed by the auditor in the notes to the financial statement in the annual audit.

Rental costs for equipment owned by affiliated organizations, officers or other key personnel of the contractor or their families are allowable only as use or depreciation allowance.

M. Air or Water Pollution Violations (Government Code Section 4477)

By signing this agreement, the contractor swears under penalty of perjury that the contractor is not: (1) in violation of any order or resolution not subject to review promulgated by the state Air Resources Board or an air pollution control district; (2) subject to a cease and desist order not subject to review issued pursuant to Section 13301 of the Water Code for violation of waste discharge requirements or discharge prohibitions; or (3) finally determined to be in violation of provisions of federal law relating to air or water pollution. This provision does not apply to public agencies.

N. Recycled Paper Certification (Public Contract Code Section 10308.5/10354)

The contractor agrees to certify in writing to the CDE, under penalty of perjury, the minimum, if not exact, percentage of recycled content, both postconsumer material and secondary material as defined in Public Contract Code Sections 12161 and 12200, in materials, goods or supplies offered or products used in the performance of the contract, regardless of whether the product meets the required recycled product percentage as defined in Sections 12161 and 12200. The contractor may certify that the product contains zero recycled content.

O. Child Support Compliance (Public Contract Code Section 7110)

By signing this agreement, the contractor acknowledges that (a) it recognizes the importance of child and family support obligations and shall fully comply with all applicable state and federal laws relating to child and family support enforcement including, but not limited to, disclosure of information and compliance with earnings assignment orders as provided in Chapter 8 (commencing with Section 5200) of part 5 of Division 9 of the Family Code; and (b) to the best of its knowledge it is fully complying with the earnings assignment orders of all employees and is providing the names of all new employees to the New Hire Registry maintained by the California Employment Development Department.

P. Unlawful Denial of Services (Government Code Section 11135)

No person in the State of California shall, on the basis of ethnic group identification, religion, age, sex, color, or disability, be unlawfully denied the benefits of, or be unlawfully subjected to discrimination under, any program or

activity that is funded directly by the state or receives any financial assistance from the state.

With respect to discrimination on the basis of disability, programs and activities subject to subdivision (a) shall meet the protections and prohibitions contained in Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof, except that if the laws of this state prescribe stronger protections and prohibitions, the programs and activities subject to subdivision (a) shall be subject to the stronger protections and prohibitions.

As used in this section, "disability" means any of the following with respect to an individual: (1) a physical or mental impairment that substantially limits one or more of the major life activities of the individual, (2) a record of an impairment as described in paragraph (1), or (3) being regarded as having an impairment as described in paragraph (1).

Q. Computer Software Copyright Compliance

By signing this agreement, the contractor certifies that it has appropriate systems and controls in place to ensure that state funds will not be used in the performance of this contract for the acquisition, operation or maintenance of computer software in violation of copyright laws.

R. Union Organizing and Activities

Contractor by signing this agreement hereby acknowledges the applicability to this agreement of Government Code Section 16645 through Section 16649.

1. Contractor will not assist, promote or deter union organizing by employees performing work on a state service contractor, including a public works contract.
2. No state funds received under this agreement will be used to assist, promote or deter union organizing.
3. Contractor will not, for any business conducted under this agreement, use any state property to hold meetings with employees or supervisors if the purpose of such meetings is to assist, promote or deter union organizing, unless the state property is equally available to the general public for holding meetings.
4. If the contractor incurs costs or makes expenditures to assist, promote or deter union organizing, the contractor will maintain records sufficient to show that no reimbursement from state funds has been sought for these costs. The contractor shall provide these records to the Attorney General upon request.

Contractor hereby certifies that no request for reimbursement or payment under this agreement will seek reimbursement for costs incurred to assist, promote or deter union organizing.

III. FACILITIES AND EQUIPMENT

A. Depreciation and Use Allowance

Taxes, insurance and maintenance may be claimed as part of actual and allowable costs for buildings, building improvements related to the child development program and equipment necessary for the operation of the program.

Within the limits specified below, depreciation or use allowance may also be claimed. Depreciation shall not be claimed on land, donated assets or assets purchased with public funds, on any fully depreciated asset or on idle or excess facilities. A use allowance shall not be claimed on land or assets purchased with contract funds or on assets

for which depreciation has been claimed.

Depreciation is a cost in the current fiscal year based on acquisition costs, less any estimated residual value, computed on a straight-line method from the original date of acquisition (based on the normal, estimated useful life expectancy of the asset). When depreciation is applied to assets acquired in prior years, the annual charges shall not exceed the amounts that would have resulted had depreciation been claimed from the date of acquisition.

A use allowance is the alternate method for compensation when depreciation costs are not claimed. The use allowance for buildings and improvements is computed at an annual rate not to exceed two percent (2%) of acquisition costs. The use allowance for equipment is computed at an annual rate not to exceed six and two-thirds percent (6-2/3%) of acquisition costs.

B. Capital Outlay

Capital outlay expenditures are those that result in the acquisition of or additions to capital assets. Capital outlay expenditures are subdivided into two categories: (1) sites and improvement of sites; buildings; improvement of buildings; building fixtures; and services systems; and (2) equipment which includes personal property of a relatively permanent nature and/or of significant value. (See the California School Accounting Manual for categorization of various items.) Capital outlay expenditures for category (1) are only reimbursable as depreciation or use allowance or as provided for under Section III.E, Renovation and Repair.

C. Equipment Bidding and Approval Requirements

All equipment purchases in excess of seven thousand five hundred dollars (\$7,500) per item (including tax) shall be approved in writing in advance by the CDD. In determining if an equipment purchase exceeds the threshold, all expenses associated with a purchase that are necessary for it to perform the intended purpose should be included in calculating the purchase cost. Example: A computer system could include but is not limited to individual items such as a central processing unit (CPU), computer monitor, computer stand, modems, disk drives, software, printer, etc. or hardware and software to install a local area network (LAN) system; and .

For private agencies, all equipment purchases exceeding five thousand dollars (\$5,000, including tax) will not be approved unless at least three (3) bids or estimates have been obtained. The contractor shall purchase the goods or services from the lowest responsible bidder. If three (3) bids or estimates cannot be obtained, the contractor shall provide adequate documentation of the reason(s) why three (3) bids or estimates could not be obtained (e.g., emergency situations). Public agencies shall comply with applicable sections of the Public Contract Code. Bids, if applicable, shall be attached to the Request for Approval of Capital Outlay Expenditures when submitted to the CDD for approval. One copy of the Request shall be retained by the CDD and one copy returned to the contractor approved or disapproved within thirty (30) calendar days of receipt. If the request for approval of an equipment purchase is disapproved, the contractor may appeal the decision in accordance with instructions specified in Section X below.

Equipment replacement and lease-purchase agreements are subject to the above requirements. An inventory of all equipment shall be maintained.

D. Equipment Inventory

Property records must be maintained that include a description of the equipment, serial number or other

identification number, the source of the equipment, the acquisition date, the cost of the equipment, the location, use and condition of the equipment and any ultimate disposition date including date of disposal and sale price if applicable. A physical inventory of equipment must be taken at least every two years and reconciled with property records. A control system must be developed to ensure adequate safeguards to prevent loss, damage or theft (any loss, damage or theft must be investigated) and adequate maintenance procedures must be developed to keep the equipment in good condition.

E. Title, Use, Disposition and Retention of Equipment

1. Title. When equipment is purchased with State funds, title shall vest in the contractor only for such period of time as the contractor has a contract with the CDE.
2. Retention of Equipment. The CDD may provide written authorization for the contractor to retain the equipment for the contractor's own use if a fair compensation is paid to the State for the State's share of the cost of the equipment. Fair compensation shall be determined by the State using the State's share of original acquisition cost, less depreciation, computed on a straight-line method over the estimated useful life expectancy of the equipment.
3. Use. When equipment is purchased in whole or in part with State funds, the contractor shall use the equipment exclusively in the program(s) from which funds were used to purchase the equipment. If the contractor wishes to share the use of the equipment between/among two (2) or more programs, the cost of such equipment shall be prorated between/among the programs.
4. Disposition. If the contractor no longer has a contract with the CDE, the contractor shall dispose of the equipment in accordance with written directions from the CDD.

F. Renovation and Repair

Improvement of sites and adjacent grounds is reimbursable if the improvements do not unnecessarily increase the value (as defined in Section I above) of a facility and the contractor has obtained prior CDD approval for any such proposed work for ten thousand dollars (\$10,000, including tax) or more.

For private agencies, such proposed work in excess of five thousand dollars (\$5,000, including tax), unless performed by contractor's staff, shall have at least three (3) bids or estimates and shall be awarded to the lowest responsible bidder. Bids, if applicable, shall be submitted by the contractor when requesting CDD approval. If three (3) bids or estimates cannot be obtained, the contractor shall maintain adequate documentation of the reason(s) why three (3) bids or estimates could not be obtained as well as the reasonableness of cost in the absence of competition. Public agencies shall comply with applicable sections of the Public Contract Code.

Proposed work for ten thousand dollars (\$10,000, including tax) or more shall be submitted for prior written approval to the CDD. If three (3) bids were not obtained, the contractor shall submit written justification to the CDD at the time approval is requested. The CDD shall approve or disapprove the request within thirty (30) calendar days. If the request is disapproved, the contractor may appeal the decision in accordance with instructions specified in Section X below. If the work is to be performed through a subcontract, the requirements of Sections IV.B through IV.F also apply. When private agencies submit proposed subcontracts for renovation and repair for approval, evidence shall be included that the proposed subcontractor has obtained a payment bond in an amount not less than one-half (2) the amount of the proposed subcontract.

IV. SUBCONTRACTS

A. Subcontracts Excluded from Requirements of this Section

The following types of relationships are not subject to the requirements contained in Section IV: (1) employment agreements; (2) facility rental or lease agreements; (2) bookkeeping/auditing agreements, except for Section IV.B; (3) janitorial and groundskeeping agreements; (4) a subcontract with a public agency; and (5) subcontracts with an individual for less than ten thousand dollars (\$10,000), except for Section IV.B.

However, no subcontract shall in any way relieve the contractor of any responsibility for performance under this contract.

All subcontracts, rental agreements and other contractual arrangements should include a termination for convenience clause permitting termination of such agreements without cost to the contractor.

B. Bids for Subcontracts

Private contractors shall obtain at least three (3) bids or estimates for subcontracts that exceed five thousand dollars (\$5,000). The subcontract shall be awarded to the lowest responsible bidder. If three (3) bids or estimates cannot be obtained, the private contractor shall maintain documents in its records that establish the reasons why three (3) bids or estimates could not be obtained; and (2) the reasonableness of the proposed expenditure without three (3) bids or estimates. Subcontracts subject to the approval of the CDD shall be rebid at least once every three (3) years or more often if specified by the CDD in its annual approval of the subcontract. Public agencies shall award subcontracts in accordance with the Public Contract Code. The contractor shall not split subcontracts to avoid competitive bidding requirements.

Subcontracts for direct child development services between a public agency contractor and a private subcontractor are exempt from bidding but not advance approval by the CDD if they are for ten thousand dollars (\$10,000) or more.

Subcontracts for auditing and/or bookkeeping services shall be rebid and changed every five (5) years unless retention of the same auditor is approved by the OEA.

C. Prior Child Development Division Approval

If directed by the CDD, contractors shall obtain prior written approval from the CDD for subcontracts for ten thousand dollars (\$10,000) or more that are not excluded from the provisions of this Section by Section IV.A above.

Prior to execution of a subcontract and commencement of work, the contractor shall submit two (2) copies of the proposed subcontract to the CDD for approval, including a proposed line-item budget which shows the costs of the services to be performed. The budget for a proposed subcontract for renovation and repair shall show the total cost of labor and the total cost of materials. Bids, if applicable, shall be submitted to the CDD when requesting approval. If three (3) bids were not obtained, the contractor shall provide written justification when the subcontract is submitted to the CDD for prior approval. Contractors shall demonstrate that approval of the subcontract is cost effective to the State. For proposed renovation and repair subcontracts, private agencies shall include documents showing that the bidder selected by the contractor has obtained a payment bond in an amount not less than one-half (2) the amount of the proposed subcontract.

One copy of the subcontract will be retained by the CDD and the other copy returned to the contractor approved or disapproved within thirty (30) calendar days of receipt of all required documents. No reimbursement shall be made to the contractor or subcontractor for work performed prior to CDD approval. A disapproved contract will include a statement of the reason(s) for not approving the subcontract. If the request for approval of a subcontract is denied, the contractor may appeal the decision in accordance with instructions specified in Section X below.

The State does not assume any responsibility for performance of approved subcontracts nor does the State assume responsibility for any unpaid debt of the contractor resulting from subcontracting liens.

Subcontracts which increase the contractor's cost of performance are nonreimbursable. Subcontracts which contain a provision for reimbursement for cost-plus-a-percentage-of-costs are nonreimbursable.

D. Required Subcontract Provisions

Every subcontract shall specify:

1. The dates within which the subcontractor is to perform the contract. The time for subcontractor performance shall not begin prior to, nor shall the time extend beyond, the time period of the contract between the contractor and the State.
2. The dollar amount of the subcontract or specify an amount not to exceed a maximum dollar amount.
3. The service(s) to be provided under the subcontract.
4. The responsibilities of each party under the subcontract.
5. That the subcontractor, and the agents and employees of the subcontractor, in the performance of the subcontract, are acting in an independent capacity and not as officers or employees or agents of the State of California.
6. That modifications of the subcontract shall be in writing, and that for subcontracts in excess of the amount stated in the annual child development contract, prior written CDD approval is required unless the subcontract is otherwise exempt from prior CDD approval.
7. That the subcontract is the complete and exclusive statement of the mutual understanding of the parties and that the subcontract supersedes and cancels all previous written and oral agreements and communications relating to the subject matter of the subcontract.
8. Remedies, in case of a breach of contract, for subcontracts in excess of ten thousand dollars (\$10,000).
9. That the State of California retains title to any equipment or supplies purchased with State funds and that the equipment shall be returned to the contractor upon termination of the subcontract. The subcontract shall also specify that the subcontractor shall obtain prior written approval from the contractor and the CDD for any unit of equipment that costs in excess of seven thousand five hundred dollars (\$7,500).
10. That the subcontractor shall be reimbursed for travel and per diem expenses only at rates that do not exceed the rates paid to the CDE's represented employees computed in accordance with State Department of Personnel Administration regulations, Title 2 California Code of Regulations, Subchapter 1.

11. That the subcontractor agrees to indemnify and hold harmless the State of California, its officers, agents and employees from any and all claims and losses occurring or resulting to any and all contractors, subcontractors, materialmen, laborers and any other person, firm or corporation furnishing or supplying work, services, materials or supplies in connection with the performance of the subcontract, and from any and all claims and losses occurring or resulting to any person, firm or corporation that may be injured or damaged by the subcontractor in the performance of the subcontract.
12. For management and/or direct service subcontracts, the subcontractor shall maintain records for program review, evaluation, audit and/or other purposes and make the records available to agents of the State for a period of five (5) years.
13. The provisions of the "Nondiscrimination Clause" included in the prime contract as specified in Title 2 California Code of Regulations, Chapter 5, Section 8107.

E. Recommended Subcontract Provisions

The following items are suggested for inclusion in subcontracts to protect the interests of the contractor:

1. Funding of the subcontract should be made subject to the appropriation and availability of funds from the State.
2. All subcontracts should contain a provision that the subcontractor is liable for any audit exception caused by, or as a result of, the subcontractor's lack of performance as required by the subcontract.
3. The subcontract should provide that the subcontractor, its agents and employees, in the performance of the subcontract, are acting in an independent capacity and not as agents or employees of the contractor.
4. Unless exempted from CDD approval above, subcontracts for ten thousand dollars (\$10,000) or more cannot become effective and binding on either the prime contractor or the subcontractor until approved in writing by the CDD, and any work performed by the subcontractor prior to the date of such approval shall not be used as a claim against the State.
5. The consideration paid to the subcontractor, as provided in the subcontract, should be stated to be the full compensation for all the subcontractor's expenses incurred in the performance of the subcontract.

F. Audit Requirements for Subcontracts

Subcontracts for management and/or direct services shall be audited in accordance with CDE Audit Guidelines. The cost of the audit shall be reimbursable and shall be borne by the contractor either directly or as an allowance in the subcontract. The audit of the subcontract shall be submitted to the CDE's A&I along with the contractor's audit as specified in Section VI.I below.

V. COSTS, EARNINGS AND REIMBURSEMENT

A. Reasonable and Necessary Costs

Contractors will be reimbursed for actual costs that are reasonable and necessary to the performance of the contract as defined in Section I above.

B. Indirect Costs

If indirect costs are claimed, an indirect cost allocation plan must be on file with the contractor and available for review by the CDD and auditors. The maximum indirect cost rate is eight percent (8%). This rate is applied to budget categories 1000-5000 only in determining the maximum amount of indirect costs that are reimbursable under the contract. School districts and county offices of education shall use the CDE approved rate if it is less than eight percent (8%). The amount of cost allocable to this contract shall not exceed the benefits to this contract. The allocation method must quantify this benefit among all similar programs and then distribute the costs accordingly.

The indirect cost rate shall not include consideration of any costs otherwise nonreimbursable. If a depreciation or use allowance is included in the indirect cost rate, such allowance shall not be claimed on the asset.

C. Start-Up Costs for New or Expanded Programs

Allowable start-up costs include employment and orientation of necessary staff; setting up of the program and facility; finalization of rental agreements and necessary deposits; purchase of a reasonable inventory of materials and supplies; and purchase of an initial premium of insurance.

Contractors shall maintain an auditable record of start-up costs which shall be included within the audit at the end of the year.

D. Costs for Travel and Per Diem

Contractors and subcontractors shall be reimbursed for travel and per diem expenses at rates not exceeding those amounts paid to the CDE's represented employees computed in accordance with State Department of Personnel Administration regulations, Title 2 California Code of Regulations, Subchapter 1. Contractors with collective bargaining agreements allowing higher rates of reimbursement shall not pay the difference out of contract funds. The CDD shall notify the contractor of a change in expense rates within thirty (30) calendar days after the CDD has received notification of a change in rates from the State Department of Personnel Administration.

Contractors shall be reimbursed for out-of-state travel expenses only with prior written approval from the CDD. The CDD shall not approve out-of-state travel expenses: (1) for more than one employee per contract per year; (2) for contractors with delinquent accounts payable which are delinquent more than ninety (90) calendar days after the date of the original invoice; (3) for contractors on conditional status; (4) when there is no clear benefit to the State; or (5) when the benefit to the State can be obtained within California.

The CDD shall approve or deny the request for out-of-state travel within thirty (30) calendar days of the receipt of the request. If the request is denied, the contractor may appeal the decision in accordance with instructions specified in Section X below.

E. Specific Items of Reimbursable Costs

Reimbursable costs include, but are not limited to, the following:

1. Start-up costs as specified in Section V.C above.
2. Employee compensation, including fringe benefits, and personal service contracts.
3. Equipment and equipment replacement with prior CDD approval if required in Section III.C above.
4. Improvement of operating facilities in accordance with Section III.F above.
5. Taxes, insurance, and maintenance for buildings and/or equipment.
6. Depreciation based on the useful life of an asset in accordance with Section III.A above.
7. A use allowance for buildings and improvements in accordance with Section III.A above.
8. Travel and per diem expenses, including approved out-of-state travel, in accordance with Section V.D above.
9. An indirect cost rate based on an approved indirect cost plan, in accordance with Section V.B above.

F. Nonreimbursable Costs

The following costs shall not be reimbursable under the child development contract:

1. Bad debts, including losses arising from uncollectible accounts and any related legal costs.
2. Contributions
3. Costs of amusement or entertainment
4. Costs of fines or penalties
5. Costs of idle facilities
6. Costs incurred after the contract has been terminated
7. Fund raising costs except as specified in Section III of the Program Quality Requirements
8. Consumer interest except: (a) interest on borrowed funds when apportionments are withheld because of a delay or error attributable to the State and the amount of interest claimed is approved by the CDD or (b) when interest is part of a lease purchase agreement.
9. Investment management costs
10. Costs of organization of a nonprofit corporation such as incorporation fees or consultant fees

11. Public relations consultant fees
12. Costs of legal, consulting and accounting services incurred in prosecution of claims against the State
13. State and federal income taxes
14. Costs for the acquisition of sites and buildings except through depreciation
15. Bonuses unless part of a collective bargaining agreement
16. Compensation to the members of the board of directors except for: (a) reimbursement for travel and/or per diem, computed in accordance with Section V.D above, incurred while the members are conducting business for the organization and (b) as provided in the California Corporation Code Section 5227, et seq
17. Costs of subcontracts which increase the contractor's cost or subcontracts which contain a provision for reimbursement for cost-plus-a-percentage-of-costs
18. Costs incurred in prior or future years.

G. Charging of Expenditures

Net reimbursable program costs must be incurred during the contract period. Contractors shall not use current year contract funds to pay prior or future year obligations. However, the cost of the annual independent audit may be claimed either in the contract period which was the subject of the audit or during the contract period in which the audit is completed.

H. Recoupment of Advanced Contract Funds

The CDE shall recoup any payments made for costs which were not reasonable and necessary. The amount that is recouped shall be the excess payment over the reasonable or fair market value, or one hundred percent (100%) of the cost, if the cost was not necessary. The CDE may elect to recover any costs of recoupment, including collection services or attorney fees.

I. Determination of Reimbursable Amount

Contractors shall be reimbursed for an audited claim that is the lesser of the following:

1. The maximum reimbursable amount as stated in the annual child development contract
2. The actual and allowable net costs

J. Reduction, Withholding, and Canceling Apportionments to Contractors

The CDE shall reduce, withhold or cancel any scheduled apportionment when one or more of the following conditions exist:

1. The contractor has not submitted an acceptable audit for any prior year of operation on or before the date

due.

2. The contractor has not submitted the reports required by Section VI below on or before the date due.
3. The contractor will not spend the full contract amount based on the current year projected net costs as determined by the CDFS.
4. A creditor of the contractor has placed a lien on the contractor's scheduled apportionments.
5. The contractor has accounts payable which are: (a) more than ninety (90) days delinquent to the CDE and (b) not under appeal as specified in either Section VIII.A or Section X below.

If any apportionment is to be reduced, withheld or cancelled, the CDE shall provide the contractor prior written notice of the intended action.

K. Order of Expenditure

Expenditure from the Child Development Fund established pursuant to Section VI.B below shall occur in the following order:

1. State or federal contract funds apportioned by the CDE shall be first in and first out.
2. Interest received on advanced CDE funds shall be last in and last out.

VI. ACCOUNTING AND REPORTING REQUIREMENTS

A. General Provisions

Contractors shall follow the applicable procedures specified in the most recent edition of the California School Accounting Manual. Contractors shall report expenditures on an accrual basis.

B. Child Development Fund and Interest Bearing Accounts

All contractors shall establish a fund to be known as the "Child Development Fund" as specified in Education Code Section 8328, except that private contractors shall establish the fund in a federally insured banking institution located in California. Contractors with multiple fund sources shall establish separate program cost accounts for each source of funds.

If a contractor places advanced contract funds in an interest bearing account, the interest bearing account shall be a separate account within the Child Development Fund. Interest earned shall be retained by the contractor if it is expended on reimbursable costs.

C. General Recordkeeping Requirements

All records shall be retained for a minimum period of five (5) years. Claims for reimbursement shall not be paid unless there are documents to support the claims. The contractor has the burden of supporting claims for reimbursement.

Authorized representatives of the State shall be allowed access to all program related or fiscal records during

normal work hours.

D. Expenditure Reports

Contractors on conditional and provisional status shall report monthly (due to CDFS by the 20th of the following month). All other contractors shall submit four (4) cumulative fiscal reports to CDFS for the quarters ending September 30th, December 31st, March 31st, and June 30th. Reports not received in CDFS by the 20th of the month following the end of the contractor's reporting period shall be deemed delinquent and, in accordance with Section V.J above, apportionment(s) shall be withheld until the required report is received.

Contractors shall submit reports containing the following information for each contract to the CDFS:

1. Total days of operation in the current reporting period and year to date
2. Amount and sources of all revenues other than advanced contract funds for the current reporting period and the year to date total
3. Total expenditures related to the program operation for the current reporting period and the year to date total.

The report shall include a certification that the information contained in the report is correct and complete and the original signature of the person authorized by the contractor to certify the report.

Contractors have sixty (60) days from the due date for submission of the audit to submit a revised final fiscal report. For local educational agencies, the final report shall be the final accounting of any amount payable to or receivable from the contractor pursuant to this contract.

E. Service Data Reports

Contractors shall submit reports to the CDE which contain the following data at intervals specified in Section VI.D above:

1. Number of requests for general child care information and child care referrals
2. Age categories of child care requests and referrals:
 - a. Infant (under two years old)
 - b. Preschool (2 years through 5 years, 11 months)
 - c. School age (6 years and older)
3. Time categories of child care referrals:
 - a. Full-time
 - b. Part-time
4. Number of children needing:
 - a. Before and/or after school
 - b. Summer only child care
 - c. Other child care (evening, overnight, weekends, drop-in, etc.)
5. Reasons for requesting referrals:

- a. Employed
 - b. Looking for work
 - c. In school/training
 - d. Other parental needs
 - e. Child protective services (CPS)/respite referral
 - f. Alternative/back-up care
 - g. Mildly ill child
 - h. Enrichment and/or development
6. Number of:
- a. Licensed child care centers
 - b. Licensed family day care homes
 - c. License-exempt child care centers
 - d. Other license-exempt providers (optional)

Contractors must also submit an annual Child Care Annual Aggregate Report (CD-800), question #4 only, to the CDE by December 1 of each year.

F. Other Report Data

Contractors shall submit statistical, cost and program data as requested by the CDE in order for the CDE to prepare various legislatively mandated reports, to meet state and federal reporting requirements and for the effective administration of child care and development programs.

Contractors submitting data to the CDE will include a certification that the data are correct and complete, and the signature of the person authorized by the contractor to certify the data. The signature may be electronic as specified by the CDE.

Contractors shall submit complete, accurate data to the CDE by the date specified, and as specified, in the CDE's request for this information. Incomplete, inaccurate, or incorrectly formatted reports, and reports not received by the required due date shall be considered delinquent. Penalties for delinquent reporting are specified in Section V.J above.

For the purpose of data collection and program management, contractors shall provide a copy of the Child Care Data Collection Privacy Notice and Consent Form (CD-9600A) to the head of the family unit at the time of enrollment and shall obtain a signed copy of that form indicating the head of household's decision whether to authorize or not authorize release of his or her social security number. Whether or not the head of household authorized release of his or her social security number on the CD-9600A, each signed CD-9600A shall be retained by the contractor in the family's Basic Data File.

G. Audits and Auditors

Contractors shall submit to the CDE's Audits and Investigations Division (A&I), an acceptable annual financial and compliance audit. All audits shall be performed by: (1) a Certified Public Accountant who possesses a valid license to practice within the State of California; (2) a Public Accountant licensed on or before December 31, 1970 and currently certified and licensed by the State of California; or (3) a member of the CDE's staff of auditors. Public agencies may have their audits prepared by in-house auditors if the public contractor has internal audit staff that performs auditing functions and meets the tests of independence found in Standards for Audits of Governmental Organization, Programs, Activities, and Functions issued by the Comptroller General of the United States.

Non-school district contractors shall submit the audit for the 2001-02 contract period by the 15th day of the fifth month following the end of the contractor's fiscal year, or earlier if specified by CDE (audits of community college districts shall be submitted by December 31, 2002). If a contractor receives less than twenty-five thousand dollars (\$25,000) per year from any state agency, the audit shall be conducted and submitted biennially, unless there is evidence of fraud or other violation of state law in connection with the contract.

In addition to the audit required by the preceding paragraph, non school district contractors shall also submit an audit for the current year's contract period by the 15th day of the fifth month following the end of the contractor's fiscal year, or earlier if specified by the CDE, unless the contract is terminated during the contract period, in which case the audit required under this paragraph shall cover the period from the beginning of the contract through the date of termination.

The audits for school districts and county offices of education for 2001-02 shall be submitted to the State Controller and the A&I by December 15, 2002 in accordance with Education Code Section 41020 and extensions shall only be granted in accordance with Education Code Section 41020.2.

Private agencies (including proprietary entities) that expend \$300,000 or more in total federal funds are required to have an Organization Wide Audit (OWA) performed in accordance with OMB Circular A-133 and the "Audit Guide for Audits of Child Development and Nutrition Programs" prepared by CDE's A&I. Governmental and other public agencies (excluding school districts, county offices of education and community college districts) must comply with the requirements of OMB Circular A-128 and the CDE's "Audit Guide." All other agencies (excluding school districts, county offices of education and community colleges) must submit a contractor audit performed in accordance with the CDE's "Audit Guide."

Management subcontracts shall be audited in accordance with the requirements stated in Section IV.F above.

H. Review of Audit by the CDE's A&I

The CDE's A&I shall conduct a review of the audit to determine whether the audit is acceptable and to determine the contractor's net reimbursable program costs. The CDE's A&I determination of earnings shall be the final accounting of any amount payable to or receivable from the contractor pursuant to the contract.

The contractor may appeal the A&I findings according to the procedures specified in Section VIII.A below if the amount of the demand for remittance meets or exceeds the threshold specified in Education Code Section 8402(c).

I. Delinquent Audits and One-Time-Only Extensions

If an audit is not received on or before the required due date and an extension has not been granted, the audit shall be considered delinquent and all apportionments shall be withheld as specified in Section V.J above.

Except for contractors on conditional status, the A&I may grant a contractor a one-time-only, thirty (30) calendar day extension of the audit due date provided the inability of the contractor to submit the audit by the due date was beyond the fault and control of the contractor.

Contractors shall be liable for all CDE costs incurred in obtaining an independent audit if the contractor fails to produce or submit an acceptable audit.

J. Bureau of State Audits

Contractors shall be subject to the examination and audit of the Bureau of State Audits for a period of three (3) years after final payment under this contract.

K. Budget and Calendar

Contractors shall submit a revised calendar to the CDD and the CDFS whenever there are changes to the most recent version submitted to the CDE. Contractors shall submit revised budgets to the CDD as requested by the CDD.

L. Reserve Accounts

All contractors are encouraged to develop and maintain a reserve within the Child Development Fund. This reserve is derived from unexpended contract funds. Contractors may retain a reserve balance not to exceed three percent 3% of the contract maximum reimbursable amount. The following criteria must be followed when establishing and using a reserve account:

1. Each agency wishing to establish a reserve shall submit a letter of intent no later than July 20 following the close of the fiscal year for which the reserve will be established. The letter of intent must be on the form provided by CDFS and signed by the executive director (or authorized representative for public agencies).
2. Each reserve must be maintained in an interest-bearing account and the amount of interest earned will be included in the reserve balance.
3. Reserve monies can only be used for expenses that are reimbursable allowable expenses as defined in the FT&C. Transfers from one reserve to another are not allowable. However, transfers to a current-year contract in the same reserve category are allowable and shall be reported as restricted program income on that contract's attendance and fiscal report.
4. Reserve monies are generated from current year contracts; therefore, the transferable amount generated during the contract period will not be available until July 1 of the subsequent fiscal year.
5. Transfers to the reserve will be authorized by CDFS only once a year. Upon receipt of the June final report, preliminary reserve amounts will be calculated by CDFS and reported to the contractor. If the contractor is an LEA, this may be the official notification provided there are no further amendments. For agencies that are required to submit an audit to the CDE, the amount will not be final until the audit is closed by the A&I and there are no outstanding billings.
6. Participating agencies must submit a Reserve Account Activity Report for each reserve account category type along with their June attendance and fiscal report due July 20. Reports not received in CDFS by July 20th shall be deemed delinquent and, in accordance with Section V.M above, apportionment(s) shall be withheld until the required report is received.
7. Upon termination of all child development contracts of a reserve account category type, all monies in that reserve account shall be returned to the CDE.

VII. CONTRACT CLASSIFICATIONS

A. Clear Status

Contractors that are in full compliance with applicable laws, regulations and contract provisions are awarded clear contracts.

B. Provisional Status

New contractors shall be on "provisional" status (stamped on the facesheet of the contract) for a period of not less than twelve (12) months. Contractors on provisional status shall submit monthly fiscal and attendance reports to the CDFS.

C. Conditional Status

Contractors receiving "conditional" contracts (stamped on the facesheet of the contract) shall be on conditional status until the CDE issues a contract rider formally clearing the contract as specified in Section IX.D below. While on conditional status the contractor shall submit monthly fiscal reports as described in Section VI.D to the CDFS. The first monthly report shall include a current inventory of equipment purchased in whole or in part with contract funds.

VIII. TERMINATION, SUSPENSION AND MAJOR REDUCTIONS IN CONTRACT PAYMENTS

A. Independent Appeal Procedures

Pursuant to the requirements of Education Code Sections 8400 through 8409, an independent appeal procedure shall be available to any contractor whose contract is terminated or suspended, or whose total reimbursable contract amount is reduced by four percent (4%) or \$25,000, whichever is less. Such appeals shall be heard by independent hearing officers in accordance with procedures established by the Office of Administrative Hearings (OAH) as specified in Title 1 California Code of Regulations, Sections 201 through 207, described below in Section VIII.B.

Termination or suspension of a contract during the contract period may occur when: (1) a contractor fails to correct items of fiscal or programmatic noncompliance within six (6) months of receiving a conditional contract which includes an addendum stating the specific items of noncompliance and the corrective actions necessary to come into compliance or (2) a contractor engages in serious misconduct posing an immediate threat to health and safety or to State funds for any of the reasons listed in Education Code Section 8406.7.

Any action by the CDD to terminate or suspend a contract or to reduce the total reimbursable contract amount, as stated in Education Code Section 8402(a) through (c), shall be preceded by a notice stating the specific reasons for the action and describing the contractor's appeal rights. If the action is appealed, a copy of this information shall also be submitted to the OAH.

To assure that there is no interruption in services to children, the CDD will initiate a competitive application process for the appellant's contract during the appeal process. Unless the termination or suspension is for reason(s) specified in Education Code Section 8406.7 or imminent danger to the health and welfare of children, the contractor may continue to operate during the appeal process.

B. Formal Appeals Procedures

1. Appeal Petition

The contractor may contest the noticed action by filing an appeal petition by registered mail with the CDD requesting a hearing before the OAH, not later than fifteen (15) calendar days from the service of the notice of action. The petition shall include (a) a clear, concise statement of the action being appealed, (b) the reasons the action is unwarranted and (c) any written documentation in support of the appeal.

2. Hearing

If the contractor requests a hearing, it will be held within thirty (30) calendar days of receipt of the petition by the CDD, but at least ten (10) calendar days' written notice will be given of the time and place of the hearing. An OAH hearing officer will hear evidence submitted by the State and the contractor during the hearing. The hearing will be recorded. The hearing officer may continue hearings, if deemed necessary.

3. The Decision

The hearing officer shall issue a final decision, in writing, within thirty (30) calendar days after the submission of the case. The decision shall be sent by registered mail or personally served on the representatives of the parties by OAH. The decision shall be the final administrative action afforded the contractor.

4. Request for Additional Written Materials on File at CDE

Contractors may request, in writing, any public documents on which the CDE intends to rely from the CDE files at a cost of six (6) cents per page, payable in advance. The CDE will mail the material requested not later than ten (10) days from the receipt of the request.

C. Contractor's Responsibility After Notice of Termination

After receiving notice of the CDD's decision to terminate the contract, the contractor shall submit to the CDD all of the following: (1) a current inventory of equipment purchased in whole or in part with contract funds; (2) the names, addresses and telephone numbers of all staff members funded by the contract; and (3) monthly expenditure and service data reports until the contract is actually terminated.

The State shall only be obligated to compensate the contractor for net reimbursable program costs in accordance with this contract through the date of termination. There shall be no other compensation to the contractor. The State shall offset any monies the contractor owes the State against any monies the State owes under this contract.

IX. CONTRACT STATUS CHANGE PROCEDURES

A. Administrative Review of Changes in Contract Status

Contract performance shall be reviewed at least annually by CDD staff who shall determine by April 1 of each year whether to offer continued funding on a clear contract, continued funding on a conditional basis or to make no offer of continued funding.

If the staff recommends conditional status or no offer of continued funding, the contractor shall be notified in

writing of the reasons for the proposed change in contract status by April 7. The notice of proposed action shall be sufficiently specific to allow the contractor to respond to the factual basis for the proposed action.

If the contractor disagrees with the proposed action, the contractor's response shall be received by the CDD within ten (10) calendar days of receipt of the notice of proposed action. The contractor's response shall include any written materials in support of its position and, if the contractor intends to make an oral presentation, the response shall so specify.

If the action is being appealed, the staff recommendation and the contractor's response shall be reviewed by an administrative review panel convened by the Director of the CDD within seven (7) calendar days of receipt of the contractor's response. The review panel will consist of representatives of CDD management, the CDFS and CDE's Legal Office, A&I and Contracts Office and a representative of a child care and development service provider familiar with the type(s) of program(s) operated by the contractor.

Upon review of the written submissions, the panel will do one of the following: (1) issue a final decision upholding or modifying the proposed change in status if no oral presentation has been requested; (2) schedule a time and place for an oral presentation by the contractor or (3) issue a final decision to not change the contract status.

If an oral presentation has been requested, the contractor will be notified by telephone of the time and place of the presentation. The oral presentation will be scheduled no later than fourteen (14) calendar days from receipt of the contractor's response.

At the oral presentation, the contractor or the contractor's representative will have an opportunity to explain any material submitted in its response. While the contractor may present any information or arguments that are relevant to the proposed action, the review panel may set reasonable limits on the scope of the presentation.

Within seven (7) calendar days after the oral presentation, the review panel shall issue and mail to the contractor a decision upholding, reversing or modifying the proposed change in contract status. The decision of the review panel shall be the final action of the CDE with regard to that contract.

B. Conditional Status Imposed During the Contract Period

If the contractor demonstrates fiscal or programmatic noncompliance during the contract period, based on such information as an annual audit report, a contract compliance review, a program quality review, or a change in licensing status, the CDD may place the contract on conditional status for the remainder of the contract period.

The contractor shall receive notice and may request an administrative review of the proposed action as set forth in Section IX.A above, in the event such a change in contract status is recommended by staff of the CDD.

If the contract is placed on conditional status during the last ninety (90) days of the contract period and the contractor is offered continued funding, the contract for the subsequent contract period will also be on conditional status.

C. Conditional Status Addendum

A conditional status contract shall contain a bill of particulars as specified in Education Code Section 8406.6 called a Conditional Status Addendum explaining the contract conditions. The Addendum shall include the following: (1) the specific item(s) of noncompliance which the contractor must correct; (2) the specific corrective action(s)

which must be taken; (3) the time period within which the contractor must complete the corrections; and (4) notice that failure to make required corrections will result in termination of the contract or no offer of continued funding.

If the contractor is placed on conditional status during the contract period a Conditional Status Addendum will be issued by the CDE and the Conditional Status Addendum shall be considered a part of the annual child development contract and binding on the contractor.

D. Duration of Conditional Contract Status

A contractor shall remain on conditional contract status until the contractor has corrected deficiencies and/or has met requirements identified in the Conditional Status Addendum. A contractor with a repayment plan shall remain on conditional contract status and not receive any apportionments until full repayment is made.

A contractor on conditional contract status that is not on a repayment plan shall remain in that status until: (1) the CDE issues written notice to the contractor that the conditional status has been cleared; (2) the contractor is issued a clear contract; or (3) the contract terminates according to its terms.

A contractor may request written verification from the CDD that some of the deficiencies have been corrected even if the contractor will not be removed from conditional contract status.

X. RESOLUTION OF CONTRACT ADMINISTRATION DISPUTES

The procedure specified in this Section shall be used to resolve disputes between contractors and the CDE that may arise regarding the interpretation and application of any term or condition of a contract, including, but not limited to, requests for waivers, approval of subcontracts or expenditures requiring approval, requests for reimbursement rate adjustments, or reductions in the total amount of contract reimbursement that are not appealable under Section VIII.A above.

The contractor shall attempt to resolve contract disputes at the lowest staff level within the CDE. If the dispute is not resolved at the lowest staff level, the contractor may appeal the decision by submitting a written description of the issues and the basis for the dispute to the Compliance and Monitoring Unit Administrator of the CDD having jurisdiction over the contractor's service delivery area. The Administrator shall make a determination and shall send a written notification of the decision to the contractor, together with the reasons for the decision, within thirty (30) calendar days of the receipt of the appeal by the Administrator.

The contractor may appeal the decision of the Administrator to the Director of the CDD by submitting a written description of the issues in dispute, and a copy of the Administrator's decision. The Director of the CDD shall send notification of the decision to the contractor and shall specify the reason(s) for the decision within thirty (30) calendar days of the receipt of the appeal by the Director. The decision of the Director of the CDD shall be the final administrative action afforded the contractor.

RESOURCE AND REFERRAL PROGRAM REQUIREMENTS

Fiscal Year 2002-03

I. SERVICE DELIVERY AREA

The contractor shall not provide resource and referral services outside of its approved service delivery area.

II. REFERRAL SERVICES

- A. The contractor shall develop and implement written referral policies, available to parents and providers upon request, which include the following information:
 - 1. A statement that referral services are available to all persons requesting them regardless of income level or other eligibility requirements
 - 2. A statement that information received from the parent(s) is confidential
 - 3. The conditions under which referrals to a provider may be discontinued.
- B. Resource and referral services shall be provided in a manner which is responsive to the diverse cultural, linguistic and economic needs of the service area.
- C. The referral process shall afford parents maximum access to all referral information. This access shall include, but not be limited to, telephone referral to be made available for at least thirty (30) hours per week as part of a full week of operation.
- D. Every effort shall be made to reach all parents within the defined geographic area, including but not limited to:
 - 1. Toll-free telephone lines
 - 2. Office space convenient to parents and providers
 - 3. Referrals in languages which are spoken in the community
- E. Referrals shall be made to all types of licensed facilities and facilities exempt from licensing.
- F. The contractor shall assist parents in choosing child care services by providing parents with the following:
 - 1. Information regarding how to select child care services which will meet the needs of the parent(s) and the child(ren).
 - 2. A range of possible child care alternatives from which the parents may choose.
 - 3. When making referrals, the contractor shall provide at least four referrals, at least one of which shall be a provider over which the agency has not fiscal or operational control, as well as information to a family on their option to choose a license-exempt provider (Education Code Section 8216).

- G. Pursuant to Education Code Section 8352, contractor staff shall colocate with a county welfare department's case management office for aid under Chapter 2 (commencing with Section 11200) of Part 3 of Division 9 of the Welfare and Institutions Code, or any successor program, or arrange other means of swift communication with parents and case managers of this aid.

III. NO FEES CHARGED FOR RESOURCE AND REFERRAL SERVICES

Except for the recovery of printing and duplication costs, the costs of damaged or lost materials from the lending library or late fees, the contractor shall not charge a fee for resource and referral services funded by the CDE. The contractor may charge a fee for technical assistance and parent and provider support and educational services (provided pursuant to Education Code sections 8212(d) and 8214) not funded by the CDE as identified in the 1990-91 application. If, during the 1999-00 contract period, the contractor plans an activity that was not included in its 1990-91 application or added by amendment during 1990-91, 1991-92, 1992-93, 1993-94, 1994-95, 1995-96, 1996-97, 1997-98, 1998-99 or 1999-00 the contractor shall obtain advance written approval from the CDD and an application amendment to the contract shall be processed. Fees collected for these activities shall be reported as restricted income.

Contractors may enter into agreements involving the sale of the resource and referral database (enhanced referral services). Income derived shall be reported as restricted income.

Contractors may enter into separate contracts for resource and referral services with other entities such as cities, counties or private industry which may allow for the collection of fees for the services provided.

IV. COMMUNITY ASSISTANCE

- A. The contractor shall assist community and public agencies in planning, coordinating and improving child care in the service area.
- B. The contractor shall provide technical assistance to existing and potential providers of all types of child care services. This assistance shall include, but not be limited to:
 - 1. Information on all aspects of initiating new child care services including, but not limited to, licensing, zoning, program and budget development and assistance in finding such information from other sources.
 - 2. Information and resources which shall help existing child care services providers to maximize their ability to serve the children and parents of their community.
 - 3. Facilitation of communication between existing providers and child-related services providers in the community.
 - 4. Dissemination of information on current public issues affecting the local and state delivery of child care services.
- C. The contractor shall publicize its services through all available media sources, agencies and other appropriate methods.
- D. The contractor shall assist the local county welfare department to determine the child care needs of CalWORKs families, provide them with a listing of available services in the area, and facilitate the efforts of county welfare departments, school districts, local child care providers and parent groups for the expansion of child care services.

- E. The contractor shall contact each licensed facility in the contractor's service area at least annually to inform the provider of the available resources provided by the contractor.

V. DATA COLLECTION

- A. The contractor shall identify the full range of existing child care services through information provided by all relevant public and private agencies in the service area and develop a resource file of those services which shall be maintained and updated at least quarterly. Services shall include, but not be limited to, family day care homes, public and private day care programs, full-time and part-time programs and infant, preschool and extended care programs. The resource file shall also include, but not be limited to, type of program, hours of service, ages of children served, openings, fees, eligibility and other significant program information.
- B. The contractor shall maintain ongoing documentation of requests for services tabulated through the internal referral process. The following documentation shall be maintained by all contractors:
 - 1. Number of calls and contacts with the contractor
 - 2. Ages of children served
 - 3. Time category for which services are requested for each child
 - 4. Need for services during any special time category (e.g., nights, weekends, swing shifts)
 - 5. Reason(s) why child care is needed.

This information shall be maintained in such a manner that it is easily accessible for dissemination purposes.

VI. CONFIDENTIALITY OF INFORMATION

The use or disclosure of information pertaining to the child or the child's family shall be restricted to purposes directly related to the administration of the program. Data collection and dissemination of information shall be handled in such a manner as to ensure confidentiality of the names and addresses of individual clients.

The contractor shall share information necessary for the administration of the child care and CalWORKs programs for the time period for which the person receives child care.

VII. COMPLAINT PROCEDURES

The contractor shall develop and implement written complaint procedures which specify (1) the procedures for the documentation and resolution of complaints and (2) the procedures for referring reports of licensing violations to appropriate agencies.

VIII. DISCONTINUING REFERRALS TO SERVICE PROVIDERS

The contractor shall notify the provider in writing that referrals have been discontinued. The notice shall include the reason(s) for the decision and shall inform the provider of the process for appealing the decision.

The contractor shall maintain in its files all of the records related to discontinuing referrals to a provider.

IX. ADMINISTRATION OF TRUSTLINE

The contractor shall have the following responsibilities in the administration of the Trustline within its local geographic area of service:

- A. Implement the local elements of the promotion plan designed by the California Child Care Resource and Referral Network pursuant to Health and Safety Code Section\1596.643 and publicize the availability, purpose and benefits of the Trustline to parents, child care providers, prospective child care providers and institutions and agencies that have frequent contact with parents and providers.
- B. Cooperate with the California Child Care Resource and Referral Network in promotional and data collection efforts.
- C. Report annually to the California Child Care Resource and Referral Network on local promotional efforts, problems encountered and recommendations for program improvement.
- D. Ensure that the Trustline is accessible to all persons in the state, regardless of their ability to speak English.
- E. Provide information and technical assistance on the Trustline process to parents, child care providers and other interested parties.

RESOURCE AND REFERRAL PROGRAM QUALITY REQUIREMENTS

Fiscal Year 2002-03

I. PROGRAM PHILOSOPHY, GOALS AND OBJECTIVES

Each contractor shall have a written philosophical statement and goals and objectives which support that philosophy. The governing body of each contractor shall approve the program philosophy, goals and objectives. The goals and objectives shall address the requirements contained in Sections II through IV below and shall reflect the cultural and linguistic characteristics of the families served by the contractor.

II. STAFF DEVELOPMENT PROGRAM

Each contractor shall develop and implement a staff development program which includes the following:

- A. Identification of training needs of staff or service providers
- B. Written job descriptions
- C. An orientation plan for new employees
- D. An annual written performance evaluation procedure unless a different frequency of performance evaluations is specified in a contractor's collective bargaining agreement with their employees
- E. Staff development opportunities which include topics related to the functions specified in each employee's job descriptions and those training needs identified in Section II.A above
- F. An internal communication system that provides each staff member with the information necessary to carry out his or her assigned duties

III. COMMUNITY INVOLVEMENT

Each contractor shall solicit support from the community including the solicitation for donated goods and services. Each contractor shall provide information to the community regarding the services available. Contractors may utilize media or other forms of communication in the community.

IV. PROGRAM EVALUATION PROCESS

Each contractor shall develop and implement an annual evaluation plan that determines if the program goals and objectives are being met. The evaluation shall include a self-assessment by the contractor in accordance with instructions specified by the CDD. The evaluation plan shall include assessment of the program by parents. The contractor shall submit a summary of the findings of the self-assessment to the CDD by March 1 of each year. The contractor shall modify its goals and objectives to address any areas identified during the evaluation as needing improvement.